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**CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
6 December 1963**

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Situation in Iran

1. The Shah is proceeding at a somewhat reduced pace with his year-old revolutionary reform program, which is designed to break the landlords' traditional hold over the peasants. He seeks to shift the base of his support from the landlords to a land-owning peasantry, and appears to be succeeding. His popularity now appears to be at an all-time high.
2. Opposition elements remain active, however. Tribal chieftains, merchants, and Muslim clerics, as well as landlords, are losing the basis of their power and influence as the large estates are transferred to the peasants—a process which has so far affected some ten percent of Iranian villages. The Muslim clerics have shown the greatest ability to stir up opposition to the Shah, but the government has succeeded in suppressing their demonstrations. The government also succeeded in putting down a rebellion by several of the tribes who last spring protested the threatened disposal of some of their lands.
3. Other opposition comes from small groups of politically aware urban Iranians, especially at the universities, but they have been poorly organized. The outlawed Communist Party (the Tudeh Party) is not a significant factor at present, but still operates underground and, should the Shah's stabilizing influence be removed from the scene, might exert some influence. The Communists reportedly are trying to infiltrate nationalist opposition groups.
4. It remains to be seen whether the Shah will succeed in building a solid base among the peasantry. The new parliament relies not on them, but on loyal professional people who prefer that reforms be carried out slowly. Formidable administrative snags have beset

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the reform program--causing some peasant unrest at the slowness of land redistribution. If the peasants become disillusioned at the material benefits they receive, they might turn against the Shah. A second phase of the land reform now under way will affect many small landowners and may cause some unrest.

5. Iran remains a staunch member of CENTO, has signed a separate military defense pact with the US, and so far as we are aware has no major outstanding policy differences with the US. In the past, the Shah has normally provoked an annual crisis in US-Iranian relations by pressing for greater military and for economic and budgetary assistance. There is no indication at the moment that he intends such an effort in the next few months.

6. At the same time, however, the Shah has shown increasing interest in developing harmonious relations with the Soviet bloc. In recent months Iran has reached a technical and economic agreement with the USSR involving a \$38.8 million construction credit from Moscow, and has received Soviet President Brezhnev in a state visit; Tehran is currently considering industrial credit offers from Poland, Czechoslovakia, and Hungary.

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